

Foreign Direct Investment

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Alaska is one of the most trade-oriented states in America. In 2000, Alaska's worldwide exports held steady at \$2.5 billion, about the same as 1999. Not only do exports bring new money into the local economy; they also support the jobs of many thousands of Alaskans. With only a small local market and a larger, but limited, market in the Lower 48, it is the overseas markets that enable the state's most important industries to be of the size and significance that they are today. Examples include seafood exports to Asia, coal exports to Korea, liquefied natural gas sales to Japan and mineral exports to Canada and Europe. Even the new service industries – tourism and technical services, for example, find important markets overseas.

Along these same lines, foreign direct investment (FDI) in Alaska has played a very significant role in the development and growth of the state's major industries. These investments are important not only because they generate tax revenues and create jobs for thousands of Alaskans; they are also a tangible vote of confidence in Alaska as an attractive place to do business.

In many cases, companies have a choice of where to direct their investment dollars. When they invest them in Alaska, they are expressing confidence in our stable business environment, the opportunity for profitable operations, and in the quality of the state's workforce. In addition, FDI often brings with it other benefits including access to markets, technical expertise and management skills.

The most recent figures reported by the U.S. Department of Commerce indicate that investment in Alaska by U.S. affiliates of foreign companies, as of 1999, totaled \$28 billion. That total ranked Alaska ninth among all American states as a recipient of FDI.

While the vast majority of this amount can be attributed to British Petroleum's investment at Prudhoe Bay, other significant players include Canadian and Japanese firms involved with seafood, mining and tourism operations in Alaska. There are many examples.

Marubeni Corporation of Japan owns North Pacific Processors, Inc., which has processing plants in six Alaska communities and employs nearly 1,000 workers. NPPI has shown innovation and creativity in processing relatively little-used species for international markets, and was the winner of Governor Knowles' Exporter of the Year award in 1997. NPPI was the first domestic surimi producer, using under-utilized pollock in the Gulf of Alaska at a time conventional wisdom said Alaskans could not produce surimi. The company also expanded markets for pink salmon around the world by

developing a new processing and packaging method for skinless, boneless, pouched and canned salmon.

Another Japanese investor in the Alaska seafood industry is Maruha. The company owns Western Alaska Seafoods in Kodiak and has ownership stakes in Westward Seafoods and Alyeska Seafoods, both at Dutch Harbor. These companies account for nearly 1,000 permanent and seasonal jobs. Nippon Suisan, owner of the Unisea plants in Dutch Harbor, and Nichiro, the large Japanese seafood and processed foods company that owns the four Peter Pan plants in Alaska are two other Japanese companies with sizable investments in this state.

In addition to contributing to our economy by employing Alaskans, these processors also contribute by buying their seafood from Alaska fishermen.

Alaska's mining industry has attracted significant Canadian investment. Teck Cominco Ltd., a Canadian firm, owns Red Dog Mine, the world's largest zinc mine, located north of Kotzebue. To date, the company has invested over \$600 million in facilities at the mine. Teck Cominco has made many important contributions in the region and the local communities, including agreements with NANA establishing committees that review the impacts of mining on traditional hunting and fishing activities, and give the local people authority and input over these activities. In addition, Teck Cominco has adopted a progressive training program. Currently more than 60% of the employees at the mine are NANA shareholders, with wages exceeding \$15 million paid to these employees annually. Governor Knowles awarded Teck Cominco Exporter of the Year in 1999.

Other Alaska major mining operations are foreign owned: Toronto-based Kinross owns Fort Knox, just north of Fairbanks; and the Greens Creek Mine outside of Juneau is majority owned by Rio Tinto, a British company. The Fort Knox mine operates year round employing 255 people. It contributes about \$70 million to the Fairbanks economy. The Greens Creek Mine, located on Admiralty Island, employs about the same number of Alaskans.

Pogo, one of the most promising new gold mining projects in Alaska, is being developed east of Fairbanks by a partnership of Sumitomo Metal Mining and Teck Cominco. The former is a Japanese company and the latter is based in Canada. So far, the two companies have invested \$70 million in exploration, development and permitting. The draft Environmental Impact Statement is anticipated to be out early in 2001.

In addition to investment in mines, foreign firms, mainly Canadian, have spent considerable sums on mineral exploration in the state. Records show that of the \$750 million spent on exploration since 1981, about 60% (\$450 million) was carried out by non-U.S. companies.

Another Canadian investment is on the Kenai Peninsula: Calgary-based Agrium Inc. bought the Unocal fertilizer plant in Nikiski in September, 2000. The plant, which employs 500, manufactures ammonia and urea for agricultural and industrial customers in

the Pacific Region, and ships product to Southeast Asia and Pacific Rim countries as well as the Pacific Northwest, California and Mexico. Agrium is a leading global producer and marketer of fertilizer and a major retail supplier of agricultural products and services.

The state's tourism industry has also benefited from overseas investment. For example, Kokudo, a Japanese company, owns the world class Alyeska Resort at Girdwood. To date, the company has invested more than \$150 million into the hotel, tram and other facilities. On a seasonal basis, the resort employs some 400 workers, with an annual payroll exceeding \$12 million. In Anchorage, the Millennium Hotel, formerly the Regal Alaskan Hotel and once owned by Hong Kong and Singapore companies, is now owned by London-based Millennium and Copthorne Hotels. Also headquartered in London, P & O Princess Cruises PLC operates the Princess Cruise Line whose ships call at ports in Alaska. The company has made direct investments in four hotels in the state.

Without question, FDI plays a critical role in the state's economy. And it is important to note that the direct investment figures mentioned in this article do not reflect the money spent by these companies on payroll, procurement of supplies and services, taxes, and other significant contributions to the communities where they have invested.

The Division of International Trade and Market Development works closely with many of these companies and also provides information and assistance to others who are considering an investment in our state. Though often a long-term proposition, success in attracting business and investment to the state will pay dividends long into the future.